

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 619 - SB 827

March 17, 2013

**SUMMARY OF BILL:** Requires local education agencies to adopt a performance-based salary schedule for personnel hired after May 1, 2014. Requires the performance-based salary schedule to be adopted by LEAs by May 1, 2014. Requires LEAs to also adopt a grandfathered non-performance-based salary schedule for personnel hired before May 1, 2014, based on the salary schedule in effect for the 2013-2014 school year, with no more than a five percent cost-of-living increase. Instructional personnel hired before May 1, 2014, will have the option to utilize the new performance-based salary schedule instead of the non-performance-based salary schedule; however, once such employees switch salary schedules, they are prohibited from returning to the non-performance-based salary schedule. Requires the performance-based salary schedule to provide annual salary adjustments and supplements.

Requires the base salary for instructional personnel, who opt into the performance-based salary schedule, to be the prior year's salary with a cost-of-living adjustment not to exceed five percent. Requires the base salary of the performance salary schedule to be recalculated each year to include the prior year's salary and any salary adjustments earned by the employee.

Requires each LEA to set a maximum base salary for instructional personnel that cannot be exceeded. Prohibits an employee from receiving additional salary adjustments once they reach the maximum base salary; however, such employees may maintain eligibility for salary supplements. Authorizes LEAs to recalculate the maximum base salary each school year, as needed.

Requires the annual eligible salary adjustment for instructional personnel, using the performance-based salary schedule, to be greater than the highest annual salary increase available to an employee of the same classification who is utilizing the grandfathered salary schedule. Requires the total salary adjustment to be no less than 10 percent of the lowest base salary of the grandfathered salary schedule. Prohibits the total eligible salary adjustment for personnel in tested subjects to exceed the total salary adjustment for personnel in non-tested subjects. Prohibits a salary adjustment for an employee whose overall teaching evaluation score is "below expectations" or "significantly below expectations."

Requires salary supplements to be given for activities, including but not limited to, assignment to a Title I eligible school; assignment to a school in restructuring or reconstitution status; teaching in a critical teacher shortage area; and assignment of additional academic responsibilities.

Requires all instructional personnel who receive an overall teaching evaluation score of “below expectations” or “significantly below expectations” to be given a professional development reimbursement in the year following the evaluation in an amount not to exceed \$1,000 annually. Prohibits the performance-based salary schedule from being reduced on the basis of total cost or the value of individual awards in a manner proportionally greater than reductions to other salary schedules in a year with budget constraints that limits the LEA’s ability to fully fund all salary schedules. Authorizes LEAs to provide a cost-of-living adjustment, if the adjustment is equivalent to less than five percent of the annual salary for instructional personnel and does not exceed 25 percent of the overall annual eligible salary adjustment for such personnel. Prohibits LEAs from using tenure, length of service, or advanced degrees to set salaries, salary adjustments, or supplements for instructional personnel who are hired on or after May 1, 2014, unless the degree is in the person’s area of certification.

## **ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – Exceeds \$10,000/One-Time**

**Increase Local Expenditures – Exceeds \$5,577,000/Recurring\***

Assumptions:

- No change in the Basic Education Funding (BEP) funding formula.
- Each LEA will adopt its own performance-based salary schedule.
- LEAs will reallocate some existing salary spending to implement the new performance pay plan and supplements; however, any reallocation will be dependent upon the needs of the grandfathered salary schedule in relation to the new performance-based plan.
- Currently four LEAs are using performance-based salary schedules.
- According to the Comptroller, all four districts using a performance-based system are using multi-year grants to help offset the costs of transition from their traditional salary schedules. These grant payouts range from \$140,000 to \$1,700,000. Each district also received technical assistance, and three districts added staff or computer software to help administer alternative salary schedules.
- Based on information received from the Comptroller and the State Board of Education, an estimated 10 percent of teachers (or 5,477) will qualify each year for a \$1,000 professional development stipend; therefore, a recurring increase in local expenditures of \$5,477,000 ( $\$1,000 \times 5,477$ ).
- Excluding the professional development stipends previously mentioned, any additional impact to local governments for developing, maintaining, and administering alternative salary schedules is difficult to determine because such impact is dependent upon multiple unknown factors. However, the recurring increase in local government expenditures is reasonably estimated to exceed \$100,000 statewide.
- The total recurring increase in local expenditures is estimated to exceed \$5,577,000 ( $\$5,477,000 + \$100,000$ ).

- Based on information received from the Comptroller and the Department of Education, state expenditures will increase due to the Department providing technical assistance to LEAs in developing the salary schedules. Such expense is considered to be a one-time expense as local governments are expected to be able to maintain and administer such schedules in subsequent years. The one-time increase in state expenditures for DOE to assist local government entities is reasonably estimated to exceed \$10,000.

*\*Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

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